



# STATE OF ARKANSAS

## Partnership Income Tax Instructions

### Reminders for 2002:

**Act 1283 of 1999.** Under this act, income attributable to an Investment Partnership's qualifying investment securities would not be taxed if distributed to a nonresident partner. "Investment partnership" is defined as a partnership with at least 90% of its assets comprised of investment securities plus office equipment. Only income derived from dividends, interest and gains would be excluded from a nonresident partner's income. The provisions of this act do not apply to income derived from investment activity that is interrelated with any trade or business activity of the nonresident or an Arkansas entity in which the nonresident owns an interest.

### STATE TAX DEPRECIATION PROVISION UNAFFECTED BY NEW FEDERAL LAW

Arkansas is one of several states that have not adopted the Income tax provisions contained in the federal economic stimulus bill Congress passed on March 8, 2002. In response to the tragic events of September 11, 2001 and a slowing economy, Congress passed a stimulus package to boost the national economy. One provision of this federal law permits business taxpayers to claim a 30% advanced depreciation allowance on certain assets placed into service between September 10, 2001 and September 11, 2004.

While the new depreciation provision may be used for federal returns, many states, including Arkansas, operate under a different tax code. On Arkansas income tax returns, taxpayers must file following the rules in sections 167, 168, 179, and 179A under the Internal Revenue Code of 1986, enacted January 1, 1999. Arkansas law would have to be changed during a legislative session before these new depreciation rules would apply in Arkansas.

It is estimated that Arkansas' adoption of the new federal depreciation law would decrease state revenue \$129 million during the first three years. Over the next ten years, the state would experience a revenue increase of \$105 million after the advanced depreciation is exhausted. Unlike Arkansas, some state's laws "piggy back" federal tax laws and automatically include federal changes. Many of these states have "decoupled" from the new federal laws because of the revenue decrease in the initial years of the law.

You can find more information about Arkansas tax code, or file your income tax electronically, by visiting the Department of Finance and Administration web site at [www.arkansas.gov/dfa](http://www.arkansas.gov/dfa)

### GENERAL INSTRUCTIONS

Form AR1050 is used to file the income of a partnership. Every domestic or foreign partnership doing business within the State of Arkansas or in receipt of income from sources therein, regardless of amount, shall file an AR1050. This form is also to be used by business organizations that are limited liability companies.

### WHEN AND WHERE TO FILE

File Form AR1050 for the calendar year or the fiscal year. Fiscal year returns must be filed on or before the fifteenth (15<sup>th</sup>) day of the fifth (5<sup>th</sup>) month following the close of the fiscal year. (Calendar year returns are filed on or before May 15.) The Form should be mailed to State Income Tax, P. O. Box 8026, Little Rock, AR 72203-8026.

### LINE BY LINE INSTRUCTIONS

#### INCOME

- Line 1.** Enter gross receipts or sales from all business operations other than those listed on Lines 4 through 10.
- Line 2.** Complete Schedule A on page 2 of AR1050. Enter on Line 2, the amount shown on Line 7 of Schedule A.
- Line 3.** Subtract cost of goods sold, Line 2, from gross receipts or sales, Line 1. Enter the difference on Line 3.
- Line 4.** Enter the income from any other partnerships or fiduciaries. Attach schedule/Federal schedule.
- Line 5.** Enter the amount of interest received or credited to the account of the partnership. Attach schedule/Federal schedule.
- Line 6.** Enter the net profit/loss for the rent of property. Attach schedule/Federal schedule.
- Line 7.** Enter the net profit/loss received as royalties. Attach schedule/Federal schedule.
- Line 8.** Enter the net profit/loss received from farming. Attach schedule/Federal schedule.

- Line 9.** Enter the net profit/loss from the sale of capital assets. Attach schedule/Federal schedule.
- Line 10.** Enter any other taxable income not included on Lines 3 through 9. Attach statement or schedule.
- Line 11.** Add Lines 3 through 10. Enter the total on Line 11.

## DEDUCTIONS

Do not list deductions here if they have already been included on Lines 1 through 10.

- Line 12.** Enter the amount of salaries and wages paid.
- Line 13.** Enter the amount of payments or credits to a partner for services.
- Line 14.** Enter rent paid on business property.
- Line 15.** Enter the amount of interest paid on business indebtedness to others.
- Line 16.** Enter taxes paid or incurred on business property for carrying on a trade or business.
- Line 17.** Enter the business bad debt. You may deduct business bad debts when they become worthless, or make a reasonable addition to a reserve for bad debts. Attach schedule.
- Line 18.** Enter the cost of incidental repairs that do not add to the value of the property or appreciably prolong its life.
- Line 19.** Enter the allowable allowances for depreciation of business property. Section 168 (26 U.S.C. 168) Internal Revenue Code of 1986, effective January 1, 1999, has been adopted for computing Arkansas depreciation. Section 179 (26 U.S.C. 179) Internal Revenue Code of 1986, effective January 1, 1999 has been adopted for computing Arkansas depreciation.
- Line 20.** Enter the amount of depletion. Attach schedule.
- Line 21.** Enter the contributions made by the partnership for its common-law employees under a qualified retirement plan.
- Line 22.** Enter any other deductions not included in Lines 12 through 21. Attach schedule.
- Line 23.** Add Lines 12 through 22. Enter the total on Line 23.

## PARTNER'S SHARE OF INCOME

Enter each partner's name, address, social security number, and share of the net income, whether distributed or not. If the distributed income is determined on a basis other than a percentage basis, attach an explanatory statement.

## SCHEDULE A – COST OF GOODS SOLD

This schedule is to compute the cost of goods sold. Answer all questions and enter the amount listed on Line 7 of this schedule on Line 2, page 1, of AR1050.

## SCHEDULE B – BALANCE SHEET

The balance sheet is to show the assets and liabilities at the beginning and end of the tax year. The amounts should agree with the partnership's book and records. Attach a statement explaining any differences.

## Individual Income Tax Information Hot-Line

(501) 682-1100 or 1-800-882-9275 (In Arkansas Only)

This system is designed to allow taxpayers to access general information about filing 24 hours a day. Personal assistance will be available during our normal business hours (Monday through Friday - 8:00 a.m. to 4:30 p.m.). The areas that can be reached by this system are as follows:

Taxpayer Assistance Branch	Forms Branch
Audit and Examination Branch	Amended Branch
Delinquent Income Tax Branch	Refund Branch

Hearing Impaired Access for Information,  
Assistance and Forms (501) 682-4795

This number can only be reached by use of a Text Telephone Device.

## Other Individual Income Tax Section Telephone Numbers

Estate Tax Information ..... (501) 682-7235

Estimated Tax Branch ..... (501) 682-7272

Withholding Tax Branch ..... (501) 682-7290